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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator Corporation	Docket Nos. ER06-629-000 ER06-629-001
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California Independent System Operator Corporation, Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Edison Company	Docket No. ER06-630-000
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ORDER ON SMALL GENERATOR INTERCONNECTION COMPLIANCE FILINGS

(Issued November 16, 2007)

1. In this order, the Commission accepts in part, and rejects in part, the California Independent System Operator Corporation's (CAISO) proposed variations from the Commission's *pro forma* Small Generator Interconnection Procedures (SGIP) and Interconnection Study Agreements (study agreements) filed in response to Order Nos. 2006, 2006-A, and 2006-B.¹ Consistent with CAISO's request, these filings are effective upon issuance of this order. In addition, the Commission accepts in part, and rejects in part, the proposed variations from the Commission's *pro forma* Small Generator Interconnection Agreement (SGIA) jointly filed by CAISO and three

¹ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, 70 Fed. Reg. 34,190 (June 13, 2005), FERC Stats. & Regs. ¶ 31,180 (2005), *order on reh'g*, Order No. 2006-A, 70 Fed. Reg. 71,760 (Nov. 30, 2005), FERC Stats. & Regs. ¶ 31,196 (2005), *clarified*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006), *appeal pending sub nom. Consolidated Edison Co. of New York, Inc., et al. v. FERC* (D.C. Circuit, Docket Nos. 06-1018, *et al.*).

participating Transmission Owners (PTOs)² -- Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SoCal Edison) -- to become effective upon issuance of this order.³ The Commission finds that, with certain modifications, CAISO and the three PTOs (collectively, the Filing Parties) have met their obligations under Order Nos. 2006 and 2006-A, as discussed below.

I. Background

2. In Order No. 2006, the Commission required all public utilities to adopt a *pro forma* SGIP and *pro forma* SGIA as part of their Open Access Transmission Tariffs (OATT) for interconnecting new sources of electricity that are no larger than 20 MW. This continued the process of standardizing the terms and conditions of interconnection service for Interconnection Customers that was begun in Order No. 2003.⁴ The *pro forma* SGIP and *pro forma* SGIA reduce the interconnection time and costs for Interconnection Customers and Transmission Providers, preserve reliability, increase energy supply, lower wholesale prices for customers by increasing the number and types of new generation that will compete in the wholesale electricity market, facilitate

² A Participating Transmission Owner is a Commission-jurisdictional California entity that has placed certain of its transmission assets and entitlements under the ISO's Operational Control. *See* Master Definitions Supplement of the CAISO Tariff.

³ The SGIA is a three-party agreement among the Interconnection Customer, PTO, and CAISO. PG&E, SDG&E, and SoCal Edison are the PTOs that have been active in this SGIP/SGIA process. They join in all but one component of the SGIA compliance filing. That component relates to the continued exemption of wind generation from the power factor requirements found in article 1.8.1 of the SGIA.

⁴ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 *Fed. Reg.* 49,845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003) (Order No. 2003); *order on reh'g*, Order No. 2003-A, 69 *Fed. Reg.* 15,932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004) (Order No. 2003-A); *order on reh'g*, Order No. 2003-B, 70 *Fed. Reg.* 265 (December 20, 2004), FERC Stats. & Regs. ¶ 31,171 (2004) (Order No. 2003-B); *order on reh'g*, Order No. 2003-C, 70 *Fed. Reg.* 37,662 (June 30, 2005), FERC Stats. & Regs. ¶ 31,190 (2005) (Order No. 2003-C); *see also Notice Clarifying Compliance Procedures*, 106 FERC ¶ 61,009 (2004), *aff'd*, *National Association of Regulatory Commissioners v. FERC*, 475 F.3d 1277 (2007). Capitalized terms in this order have the meanings in the Glossaries of Terms or the text of Order Nos. 2003 and 2006.

development of non-polluting alternative energy sources, and help remedy undue discrimination, as sections 205 and 206 of the Federal Power Act (FPA)⁵ require.⁶

3. In Order No. 2006, as it had in Order No. 2003, the Commission permitted Independent System Operators (ISO) to seek “independent entity variations” from the final rules in their *pro forma* provisions.⁷ The Commission thus allowed ISOs to propose variations from the Commission’s *pro forma* interconnection procedures and agreements based on regional needs.

4. Order No. 2006-B, which revised the Commission’s *pro forma* SGIP and SGIA established in Order Nos. 2006 and 2006-A, adopted several *pro forma* SGIA provisions into the *pro forma* SGIP study agreements. These provisions are standard legal terms and conditions. Specifically, the Commission included provisions on governing law, amendment, third-party beneficiaries, waiver, multiple counterparts, partnership, severability, subcontractors, and reservation of rights in the study agreements.⁸

II. Compliance Filings

5. On October 5, 2005, CAISO filed a motion for extension of time to make its Order Nos. 2006 and 2006-A SGIP and SGIA compliance filings. The Commission granted CAISO’s request on November 4, 2005 and established February 10, 2006 as the revised compliance date.

6. On February 10, 2006, CAISO filed its proposed SGIP, requesting that the Commission accept and incorporate the SGIP as part of the CAISO Tariff. CAISO also included in its filing revisions to CAISO Tariff section 5.7, which provides for the Generating Facility interconnection process, as well as Appendix A to the CAISO Tariff, the Master Definitions Supplement. These changes are needed to accommodate the addition of the SGIP and SGIA. On February 10, 2006, the Filing Parties filed their Order No. 2006 and 2006-A proposed SGIA.

⁵ 16 U.S.C. §§ 824d, 824e (2000).

⁶ Order No. 2006 at P 1.

⁷ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 827; Order No. 2006, FERC Stats. & Regs. ¶ 31,180 at P 549.

⁸ Order No. 2006-B at P 10.

7. In their transmittal letters, CAISO and the Filing Parties request that the Commission make the effective date the date on which the Commission acts on their filings.⁹ They also request that, because the Commission has found that CAISO is an independent entity, the filings be evaluated under the independent entity standard.¹⁰

8. The proposed variations from the Commission's *pro forma* SGIP and *pro forma* SGIA are of three general types: (1) modifications to conform provisions of the SGIP and SGIA more closely to the provisions of CAISO's Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA); (2) categorical changes that apply throughout the SGIP and SGIA; and (3) other changes that apply only to certain provisions of the SGIP and SGIA.

9. On October 25, 2006 CAISO filed amendments to its *pro forma* SGIP study agreements, in compliance with Order No. 2006-B. CAISO requests that the Commission make that filing effective on the date the Commission acts on its SGIA/SGIP filing.

III. Notice of Filing and Responsive Pleadings

10. Notice of the February 10, 2006 SGIP and SGIA compliance filings was published in the *Federal Register*, 71 Fed. Reg. 10,029 (2006), with protests and interventions due on or before March 3, 2006. SoCal Edison, the Modesto Irrigation District (Modesto), and the California Electricity Oversight Board (Oversight Board), filed timely motions to intervene in Docket No. ER06-629-000. Modesto and the Oversight Board filed timely motions to intervene in Docket No. ER06-630-000.

11. Notice of CAISO's October 25, 2006 Order No. 2006-B compliance filing was published in the *Federal Register*, 71 Fed. Reg. 64,696 (2006), with protests and interventions due on or before November 15, 2006. None was filed.

⁹ *Id.* at P 545.

¹⁰ *California Independent System Operator Corp.*, 112 FERC ¶ 61,010, at P 36 (2005).

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹¹ the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Standard of Review

13. As noted above, Order No. 2006 permits an ISO to seek "independent entity variations" from the Final Rule. The Commission has stated that this is a balanced approach that recognizes that an ISO (or an RTO) has different operating characteristics and is less likely to act in an unduly discriminatory manner than is a transmission provider that is a market participant. Under this standard, the Commission affords an ISO greater flexibility to customize its interconnection procedures and agreements than a non-independent transmission provider because an ISO does not own generation, and thus lacks the incentive to discriminate in favor of certain generation or to obstruct access to the grid by independent generators. Nonetheless, when an ISO is the filing entity, as is the case here, the Commission will review the proposed variations to ensure that they do not provide an unwarranted opportunity for undue discrimination or produce an interconnection process that is unjust and unreasonable.¹² It is not a sufficient justification to say that a variation conforms to current ISO practices or to the ISO's OATT definitions and terminology. Even where the transmission provider is an independent entity, it must still justify its variations in light of the Commission's *pro forma* SGIP/SGIA.¹³

14. The Commission will accept many of the proposed independent entity variations requested by CAISO and the Filing Parties. However, as discussed below, CAISO and the Filing Parties have not shown that certain of the proposed variations meet the independent entity standard.

¹¹ 18 C.F.R. § 385.214 (2007).

¹² *PJM Interconnection, LLC*, 108 FERC ¶ 61,025, at P 7 (2004), *order on reh'g*, 110 FERC ¶ 61,099 (2005) (*PJM*); *Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,270, at P 29 (2006).

¹³ *PJM*, 108 FERC ¶ 61,025 at P 16.

15. With respect to provisions modified or added to the *pro forma* SGIP/SGIA solely to conform to CAISO's *pro forma* LGIP and/or LGIA, we note that the *pro forma* SGIP/SGIA are intended to be shorter and less complex than the *pro forma* LGIP/LGIA.¹⁴ Thus, a Transmission Provider cannot justify a variation from our *pro forma* small generator provisions simply on the grounds that the variation has been approved for its large generator *pro forma* documents.¹⁵

C. Variations from the Small Generator Interconnection Procedures – Docket No. ER06-629-000

1. SGIP section 1: Objectives, Definitions, and Interpretation

16. The Commission's *pro forma* SGIP section 1, "Application," governs the SGIP's applicability to requests to interconnect a certified Small Generating Facility.

a. CAISO Proposal

17. CAISO proposes to insert a new SGIP section 1, entitled "Objectives, Definitions, and Interpretation," to provide context for the incorporation of the SGIP into the CAISO Tariff and for consistency with other CAISO protocols and the LGIP. It also proposes a new SGIP section 1.2.1, which directs readers to the Master Definitions Supplement, Appendix A of the CAISO Tariff, as the source of definitions of most defined terms in the SGIP. Further, CAISO proposes to move the terms "Party or Parties" and "Study

¹⁴ During the LGIA/LGIP notice of proposed rulemaking proceeding, some commenters urged the Commission to initiate a separate proceeding to develop standard interconnection procedures and agreements that addressed the unique concerns of Small Generating Facilities. Persuaded that different procedures and agreements were needed, the Commission severed Small Generating Facilities from the LGIA/LGIP proceeding and issued a Small Generator Interconnection Advance Notice of Proposed Rulemaking in August 2002. The Commission explained that having standard interconnection procedures and a standard agreement for Small Generating Facilities will, among other things, provide for a simpler, more easily understood document for small generators that is compatible across jurisdictions, remove unfair impediments to market entry for small generators by reducing interconnection costs and time, foster increased development of economic Small Generating Facilities, and protect system reliability. Order No. 2003 at P 10; Order No. 2006 at P 15-17, P 37.

¹⁵ Order No. 2006 at P 59; *New York Independent System Operator, Inc.*, 118 FERC ¶ 61,130, at P 16 (2007) (*NYISO*).

Process” to SGIP section 1.2.2 from the Glossary of Terms, Attachment 1 to the *pro forma* SGIP, and adds and defines the term “Governmental Authority,” based on its use in the SGIP.¹⁶ CAISO offers a new SGIP section 1.2.3, “Rules of Interpretation,” to “provide greater clarity in the interpretation of the SGIP.”¹⁷

b. Commission Determination

18. We find that CAISO’s proposed SGIP sections 1.1 through 1.2.2 provide non-substantive revisions to the *pro forma* SGIP in Order No. 2006 that are needed under the CAISO regulatory framework. Thus, CAISO has demonstrated that these proposed revisions meet the independent entity variation standard.

19. However, we are not convinced that the proposed variation regarding the “Rules of Interpretation” under SGIP section 1.2.3 is necessary. CAISO provides no justification for this variation, and we therefore reject it.

2. SGIP section 2: Application

20. As noted above, section 1 of the Commission’s *pro forma* SGIP, “Application,” provides that a request to interconnect certain Small Generating Facilities no larger than 2 MW shall be evaluated under the *pro forma* SGIP section 2 Fast Track Process. The Commission’s *pro forma* SGIP section 1.6 discusses queue position, stating that the “Transmission Provider shall assign a Queue Position based upon the date and time stamp of the Interconnection Request.”

a. CAISO Proposal

21. CAISO proposes a variation to include a new SGIP section 2,¹⁸ “Application,” which: includes an introductory provision; includes a cross-reference to section 5.7 of the CAISO Tariff; deletes references to the “Fast Track Process” and the “10 kV Inverter Process” (discussed further below); and deletes *pro forma* SGIP section 1.1.2, discussing capitalized terms, as it is covered by proposed SGIP section 1.2.

¹⁶ The proposed definition of “Governmental Authority” in section 1.2.2 of the SGIP is the same definition of the term used in section 1.2.2 of the LGIP.

¹⁷ CAISO SGIP transmittal letter at 9.

¹⁸ The Commission’s *pro forma* SGIP section 2 provides for a Fast Track Process that is available to certain Interconnection Customers.

22. CAISO also proposes a variation from the Commission's *pro forma* SGIP section 1.6 (proposed new SGIP section 2.6) to state that the assignment of Queue Position is based on the date and time of the Interconnection Request, "if such request is deemed complete; otherwise, the Queue Position will be assigned based upon the date a request is deemed complete." CAISO asserts that, without this language, an Interconnection Customer could submit an incomplete Interconnection Request in order to secure a Queue Position, which could disadvantage other Interconnection Customers with more fully-developed development plans.

23. CAISO proposes a variation that adds a new SGIP section 2.8 – "Request for Deliverability Assessment" -- to provide direction to Interconnection Customers seeking evaluation of their interconnections as Network Resources (as used in the *pro forma* LGIP) to be processed under the LGIP. CAISO explains that these requests are for interconnections that are complex and require a higher standard of technical assessment; therefore the Interconnection Request must be processed under the LGIP and the Interconnection Customer must execute the LGIA.

b. Commission Determination

24. We find that CAISO's proposed revisions to *pro forma* SGIP section 1.1.1 through 1.5 (CAISO proposed SGIP sections 2.1.1 through 2.5), are non-substantive revisions that are needed for CAISO. However, as discussed below, we will require that CAISO revise section 2.1.1 to include references to the "Fast Track Process" and the "10 kV Inverter Process." We will accept proposed new SGIP section 2.8, Request for Deliverability Assessment, as consistent with the intent of Order No. 2006.¹⁹

25. With regard to CAISO's proposed SGIP section 2.6 variation regarding Queue Position, we note that *pro forma* SGIP Attachment 2 provides for the Small Generator Interconnection Request Form. Attachment 2 also provides instructions on when an Interconnection Request is considered complete. In Order No. 2006-A, the Commission expanded its original determination on Interconnection Request completeness, stating that, following the language "An Interconnection Request is considered complete when it provides all applicable and correct information required below," Parties should insert the language "Per SGIP section 1.5, documentation of site control must be submitted with the Interconnection Request."²⁰ Thus, we do not agree with CAISO that under our *pro forma* SGIP, Interconnection Customers could submit incomplete Interconnection Requests or

¹⁹ Order No. 2006 at P 139-40.

²⁰ Order No. 2006-A at Appendix B.

supporting data; language in the Small Generator Interconnection Request Form, SGIP Attachment 2, already provides for when an Interconnection Request is considered complete. CAISO has not shown that its proposal meets the independent entity variation standard. We thus direct CAISO to remove the language regarding Interconnection Request completeness.

3. Pro Forma SGIP section 2: Fast Track Process

26. The Commission's *pro forma* SGIP section 2 provides for a Fast Track Process that is available to certain Interconnection Customers.²¹

a. CAISO Proposal

27. CAISO proposes to delete *pro forma* SGIP section 2 (and associated language throughout the SGIP as well as Attachments 3, 4, and 5)²² regarding the Fast Track Process. CAISO states that the Fast Track Process is applicable by its own terms only to interconnections to the Distribution System, but that the CAISO Controlled Grid is strictly a transmission voltage level, bulk energy delivery system. Thus, CAISO argues that these provisions of the *pro forma* SGIP do not apply to CAISO's provision under the CAISO Tariff for operating the ISO Controlled Grid. It further explains that the applicable PTO will process Interconnection Requests to its Distribution System, as described in the *pro forma* SGIP section 2, under its interconnection procedures.

b. Commission Determination

28. We will reject CAISO's proposal to not adopt the Commission's *pro forma* Fast Track Process. CAISO states that the Fast Track Process and the 10 kV Inverter Process are "applicable by their own terms only to interconnections to the Distribution System."²³

²¹ The Fast Track Process is available if the Small Generating Facility is no larger than 2 MW and meets the codes, standards, and certification requirements of Attachments 3 and 4 of the SGIP, or the Transmission Provider has reviewed the design or tested the proposed Small Generating Facility and is satisfied that it is safe to operate.

²² Attachment 3 provides for the Certification Codes and Standards; Attachment 4 provides for the Certification of Small Generator Equipment Packages; and Attachment 5 provides for the Application, Procedures, and Terms and Conditions for Interconnecting a Certified Inverter Based Small Generating Facility No Larger than 10 kW.

²³ CAISO SGIP transmittal letter at 10.

We disagree.²⁴ The Commission's *pro forma* Fast Track Process in SGIP section 2.1 specifically applies to Small Generating Facilities "no larger than 2 MW" that are seeking interconnection to the "Transmission Provider's Transmission System." SGIP section 2.2.1.1, which provides that a Small Generator's interconnection must be "on a portion of the Transmission Provider's Distribution System that is subject to the Tariff," does not limit the applicability of SGIP section 2.1. The statement in section 2.2.1.1 merely reminds the parties that, in order for the SGIP and Fast Track to apply, the Small Generator must seek interconnection to a facility on the jurisdictional Transmission System. In fact, the definition of Transmission System includes all facilities that are used to provide transmission service under the Tariff, which includes "Distribution Facilities" subject to the Tariff.²⁵ In light of section 2.1, it is a mistake to interpret section 2.2.1.1 as limiting the applicability of the Fast Track to Small Generators seeking to interconnect to facilities on the Transmission Provider's Distribution System that are subject to the Tariff. We also note that, in Order No 2006, the Commission clarified the applicability of SGIP section 2.2.1.1, stating that:

'transmission' is both an engineering term of art and a term used in the FPA. As used in the technical screens, transmission is used in the engineering sense, not in a jurisdictional sense ... In no case do we intend that this Final Rule applies to non-Commission-jurisdictional facilities.²⁶

29. Thus, we find that CAISO must incorporate these processes in its SGIP. We will require that CAISO file a revised SGIP that includes SGIP section 2 (and associated language throughout the SGIP as well as Attachments 3, 4, and 5) regarding the Fast Track Process.

²⁴ *But see Western Area Power Administration*, 119 FERC ¶ 61,329, at P 20-21 (2007) (*Western*). In *Western* the Commission assumed that Western, a Federal power marketing agency, could exclude the Commission's *pro forma* SGIP/SGIA Fast Track Processes from its reciprocity or "safe harbor" tariff. However, our assumption appears to have been mistaken.

²⁵ *See, e.g., pro forma SGIP Attachment 1.*

²⁶ Order No. 2006 at P 146 n.36.

4. SGIP section 3.1: Study Process – Applicability and Centralized Study Process

a. CAISO Proposal

30. CAISO proposes to add a new SGIP section 3.1.1, Centralized Study Process,²⁷ which describes a centralized interconnection study process for Small Generating Facilities that want to interconnect to facilities under the Operational Control of CAISO. CAISO proposes to divide responsibility for the small generator interconnection process between CAISO and the PTOs. In sum, while CAISO will execute the interconnection study agreements, it will subcontract to the PTOs the required small generator interconnection studies and any additional studies CAISO determines to be reasonably necessary.

31. CAISO explains that in the Commission's order on CAISO's initial LGIP compliance filing, the Commission directed CAISO to submit a compliance filing that included a centralized interconnection study process.²⁸ Given the Commission's LGIP

²⁷ Under the proposed centralized process: (1) CAISO will be the single point of contact for the Interconnection Customer; (2) CAISO will be the central point of coordination to involve any Affected Systems; (3) Interconnection Requests will be included in one queue that is maintained by CAISO for all proposed generator interconnections to facilities under the Operational Control of CAISO (Small and Large Generating Facilities); (4) CAISO will collect and disburse monies received from Interconnection Customers; and (5) CAISO will execute the interconnection study agreements and subcontract to the PTOs the required small generator interconnection studies and any additional studies CAISO determines to be reasonably necessary, unless otherwise agreed to by the Interconnection Customer, PTO and CAISO. The study results and the final study report will be approved by CAISO. *See* CAISO proposed SGIP sections 3.1.1.1-3.1.1.4.

²⁸ *California Independent System Operator Corp.*, 112 FERC ¶ 61,009, at P 56-57 (July 2005 Order), *clarifications and extension of time granted, reh'g denied*, 112 FERC ¶ 61,231, at P 21 (August 2005 Order) (2005). CAISO made its LGIP compliance filing on November 1, 2005. In its SGIP transmittal letter, CAISO explains that, once the Commission acts on its November 1, 2005 LGIP compliance filing, CAISO and the PTOs will modify the Roles and Responsibilities Agreement (R&R Agreement) to include the study work that would be performed by the PTOs under the SGIP. We note that after CAISO filed its instant SGIP compliance filing, the Commission acted on the November 1, 2005 compliance filing in *California Independent System Operator Corp.*, 115 FERC ¶ 61,237 (May 2006 Order), *order on compliance filings and denying reh'g*,
(continued)

directive, CAISO determined that the SGIP filing should also include a centralized interconnection study process. CAISO's LGIP centralized study process, including the roles and responsibilities of CAISO and the PTOs with respect to each step of the process, is described in detail in CAISO LGIP section 3.2, "Roles and Responsibilities" (R&R), and LGIP Attachment A, the R&R Agreement (which is appended to the CAISO OATT as a part of its interconnection policy). The LGIP R&R Agreement allocates different interconnection study responsibilities (based on whether the study is for Feasibility or System Impact), includes detailed study timelines, clarifies how the interconnection study process will be conducted, and explains how portions of these studies will be assigned to the PTOs, under the direction, oversight, and approval of CAISO. CAISO's proposed SGIP centralized study process does not contain a separate R&R Agreement and is significantly less detailed than CAISO's LGIP centralized study process.

32. CAISO explains that the rationale for its SGIP proposal is that, for CAISO, few generation projects qualify for the SGIP (only about 7 percent of the current projects in the CAISO interconnection queue qualify as Small Generating Facilities). It states that the timelines to perform the SGIP studies in the Commission's *pro forma* SGIP are much shorter than those in the LGIP, and will require an expedited administrative process. CAISO further explains that, if seams issues are anticipated upon CAISO's review of the Interconnection Customers requested Point of Interconnection in the Interconnection Request, then CAISO would coordinate with any Affected System operator or affected PTO, including inviting them to the Scoping Meeting. The PTOs, CAISO states, would then perform the interconnection studies, under the direction and oversight of CAISO, and with CAISO review and final approval of the study results and the final study report. CAISO asserts that, based on its experience to date for projects of this size, seams issues are expected to be minimal or non-existent. Thus, CAISO states, this proposal strikes an appropriate balance given the nature and size of the interconnection Generating Facilities, the unlikelihood of seams issues, and the reduced timelines provided in the Commission's *pro forma* SGIP.

b. Commission Determination

33. As noted above, in California, ownership and operation of transmission facilities is bifurcated. Generators interconnect to transmission facilities that are constructed, owned, maintained, and modified to allow interconnection service by a PTO, while the entity that

117 FERC ¶ 61,148 (November 2006 Order) (2006), *accepted*, Docket Nos. ER04-445-015, *et al.* (Jan. 30. 2007) (unpublished letter order). See CAISO Tariff Appendix U, LGIP section 3.2 and First Revised Sheet No. 1064A.

provides transmission service is CAISO. Order No. 2006 states that ISOs may propose modified interconnection service arrangements that provide different respective rights and obligations in the region.²⁹ As the Order No. 2003 compliance process demonstrated, the Transmission Provider and Transmission Owner are capable of dividing responsibility among themselves.³⁰ We find that CAISO's proposal to include a centralized study process in its SGIP meets the independent entity variation standard, and we will accept it subject to certain modifications discussed below.

34. In the CAISO large generator interconnection proceeding, the Commission clarified its requirement that CAISO adopt a centralized study process, as well as the respective roles and responsibilities that CAISO and the PTOs should play in that process. The Commission stated that, as an independent entity, CAISO must manage its interconnection policy and procedures, including its system study process so that an interconnecting generator is not unduly burdened by coordinating multiple studies with the PTOs.³¹ The Commission explained that the PTOs can conduct certain studies, under the direction and oversight of CAISO, but that those studies "should generally be *limited to areas where either the PTOs have very specific and non-transferable expertise* or data and it is determined that it is most efficient and cost effective for the PTOs rather than CAISO to conduct those studies."³² These procedures, the Commission explained, must also allow for appropriate expert review from sources available to CAISO to ensure an independent review of the results of the studies conducted by the PTOs.

35. Later, the Commission reiterated that CAISO's centralized study process for large generators will prevent the duplication of interconnection studies, making the study procedures more cost-efficient and less burdensome on Interconnection Customers.³³ Further, the Commission stated that CAISO's centralized study process "ensures its primary and independent role in conducting interconnection studies, and evaluating grid-

²⁹ Order No 2006 at P 350. *See also* Order No. 2003 at P 909.

³⁰ *Id.*

³¹ August 2005 Order at P 21.

³² *Id.* (emphasis added).

³³ *See* May 2006 Order, 115 FERC ¶ 61,237 at P 52-53.

wide impacts and solutions while making use of the PTOs' specialized knowledge of their respective portions of the CAISO Controlled Grid.”³⁴

36. Here, we find that a centralized study process for CAISO's small generators strikes the appropriate balance between CAISO, as an independent Transmission Provider with grid-wide responsibilities, and the PTOs, as Transmission Owners with specialized knowledge of their respective systems.³⁵ It is an efficient, cost-effective, and reasonable basis on which to facilitate Generator interconnections under Order No. 2006.³⁶

37. However, we note that section 3.2(a) of CAISO's LGIP, Roles and Responsibilities, provides the following:

Each Interconnection request will be subject to the direction and oversight of the ISO. The ISO will conduct or cause to be performed the required Interconnection Studies and any additional studies the ISO determines to be reasonably necessary, and will direct the applicable Participating TO to perform *portions of studies where the Participating TO has specific and non-transferable expertise or data and can conduct the studies more efficiently and cost effectively than the ISO.* (emphasis added).

38. In contrast, CAISO's proposed SGIP section 3.1.1.4 states that:

CAISO will execute the interconnection study agreements and subcontract to the PTOs the required small generator interconnection studies and any additional studies CAISO determines to be reasonably necessary, unless otherwise agreed to by the Interconnection Customer, PTO and CAISO.

³⁴ May 2006 Order, 115 FERC ¶ 61,237 at P 51. *See also* July 2005 Order, 112 FERC ¶ 61,009 at P 56; November 2006 Order, 117 FERC ¶ 61,148 at P 62.

³⁵ *See, e.g.*, May 2006 Order, 115 FERC ¶ 61,237 at P 49.

³⁶ Order No. 2006 at P 1 and P 350. *See also Southwest Power Pool, Inc.*, 106 FERC ¶ 61,254 at P 44 (2004) (finding that “[s]ince the *pro forma* LGIP and LGIA do not allocate responsibilities between the Transmission Owner and the Transmission Provider, SPP may wish to enter into a separate agreement with its members to allocate responsibilities within the *pro forma* LGIP and LGIA.”).

39. CAISO's centralized study process proposal for its small generators thus assumes that the PTOs will conduct *all* of the required small generator interconnection studies. However, we will require that, as we required for CAISO's large generators, the applicable PTO should only perform *certain* studies, under the direction and oversight of CAISO, where the PTO has specific and non-transferable expertise or data and can conduct the studies more efficiently and cost effectively than the ISO. Therefore, we will direct CAISO to modify its proposed centralized study process for small generators to provide for these same study requirements that CAISO provides for its large generators in LGIP section 3.2(a).

40. With this modification, we find that CAISO's centralized study process will ensure CAISO's primary and independent role in conducting interconnection studies, and evaluating grid-wide impacts and solutions, while making use of the PTOs' specialized knowledge of their respective portions of the CAISO Controlled Grid. Further, we find that CAISO's direction and oversight of all aspects of the centralized study process, with participation from the PTOs, is reasonable, will facilitate the interconnection process, and will thereby support the reliable transmission of electric energy in the California market. Finally, we find that a centralized study process for CAISO's small generators is consistent with the study procedures in other RTOs and ISOs that allow PTOs to conduct certain studies. As with other RTOs and ISOs, CAISO will oversee and resolve any disputes in order to endure a just and fair interconnection study evaluation.

5. SGIP section 3.2: Scoping Meeting

41. The Commission's *pro forma* SGIP section 3.2 discusses the Scoping Meeting, which is held 10 Business Days after the Interconnection Request is deemed complete, or as otherwise mutually agreed to by the Parties. *Pro forma* SGIP sections 3.2.2 and 3.2.3 provide 5 Business Days after the Scoping Meeting for the coordination and development of the scope and study plan for the study agreement.

a. CAISO Proposal

42. CAISO proposes variations to the timelines in *pro forma* SGIP sections 3.2.2 and 3.2.3 for Scoping Meetings. It explains that, because of its centralized study process, under which it collaborated with the PTOs in the execution of the SGIP, it proposes to add 10 Business Days (*i.e.*, a total of 15 Business Days) for the coordination and development of the scope and study plan. It states that this provides the time necessary for minutes to be drafted and issued, for the Interconnection Customer to provide feedback and propose any alternative Point of Interconnection, and for CAISO and the PTOs to generate the scope and study plan attachments to the interconnection study agreement.

b. Commission Determination

43. CAISO has not demonstrated that this variation meets the independent entity variation standard. CAISO's proposal would undermine Order No. 2006's goal of reducing interconnection time and costs. The timelines in our *pro forma* SGIP section 3.2 for the Scoping Meeting were chosen after careful consideration. Further, the proposed extended timelines might provide an unwarranted opportunity for undue discrimination. We will therefore reject CAISO's proposal and require it to revise SGIP sections 3.2.2 and 3.2.3 to use the time periods provided for in Order No. 2006.

6. SGIP sections 3.3, 3.4, and 3.5: Feasibility Study, System Impact Study, and Facilities Study

44. The Commission's *pro forma* SGIP section 3 describes the Interconnection Study Process, which includes the following studies: Feasibility Study (SGIP section 3.3), System Impact Study (SGIP section 3.4), and Facilities Study (SGIP section 3.5). *Pro forma* SGIP Attachments 6, 7, and 8 provide for the corresponding interconnection study agreements.

a. CAISO Proposal

45. CAISO proposes variations to *pro forma* SGIP sections 3.3.1, 3.3.4, 3.3.5, 3.4.1, 3.4.2, 3.4.3, and 3.4.5 to provide that the study process will take account of the financial effects of an Interconnection Request beyond construction costs (*i.e.*, the effect of an Interconnection Request on Local Furnishing Bonds and the cost to a transmission provider losing its tax-exempt status). CAISO explains that Local Furnishing Bonds,³⁷ which are tax-exempt, have been used by SDG&E to finance its transmission system. It states that these variations establish a clear process to quickly identify and address whether an Interconnection Request could threaten the tax-exempt status of a Transmission Owner's Local Furnishing Bonds.³⁸

³⁷ "Local furnishing" of electric energy is defined in the Internal Revenue Code as furnishing "solely within the area consisting of (A) a city and 1 contiguous county, or (B) 2 contiguous counties." 26 U.S.C. § 142(f)(1) (2000).

³⁸ CAISO states that these variations are consistent with those that it submitted to the Commission on November 1, 2005 with respect to the LGIP in Docket No. ER04-445-013. It states that they are needed to implement, *e.g.*, section 3.1 of its OATT ("Facilities Financed By Local Furnishing Bonds or Other Tax-Exempt Bonds").

46. CAISO also proposes variations to the Feasibility Study (subsection 3.3.4), the System Impact Study (subsection 3.4.5), and the Facilities Study (subsection 3.5.7) to provide 20 Business Days for the PTO to tender an executable interconnection agreement to the Interconnection Customer. It states that this variation will improve administrative control over the process. Further, CAISO proposes variations to *pro forma* SGIP section 3.5.7 by providing options to the Interconnection Customer to make a decision within 30 Business Days following the completion of the facilities study, thereby limiting the Interconnection Customer from delaying the process for an indefinite amount of time. CAISO also proposes variations to SGIP sections 3.4.6 and 3.5.2 to use “Calendar Days” as opposed to “Business Days.”

47. In addition, CAISO proposes to delete SGIP section 3.5.4 to clarify that the facilities study does not include the actual design of facilities. It states that design, procurement, and construction of facilities are covered under the SGIA. To provide for the advanced engineering, procurement, and construction of facilities, however, CAISO proposes to add SGIP section 3.5.9, which states that an Interconnection Customer may request an Engineering and Procurement Agreement in order to allow such design and procurement to begin and costs to be paid for before the execution of an SGIA. CAISO explains that this variation allows the design and engineering as well as procurement to occur before the SGIA, without changing any of the timelines of the SGIP process.

b. Commission Determination

48. First, we find that CAISO’s proposal to add language regarding the financial effects that an Interconnection Request may have on Local Furnishing Bonds meets the independent entity variation standard. The Commission has long recognized that certain public utilities have financed facilities with tax-exempt local furnishing bonds, that their tax-exempt status is contingent on the facilities being used as local furnishing facilities, and that open access transmission service might jeopardize the tax-exempt status of those bonds.³⁹ We also note that the Commission’s *pro forma* LGIP provides for these types of bonds; section 13.6 states that Transmission Providers that finance facilities for the local

³⁹ *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. & 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. & 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC & 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC & 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

furnishing of electric energy with tax-exempt bonds are not required to provide Interconnection Service if doing so would jeopardize the tax-exempt status of any local furnishing bonds used to finance the Transmission Provider's facilities that would be used in providing such Interconnection Service.⁴⁰ CAISO's LGIP section 13.6 contains a similar provision for Local Furnishing Bonds, as does section 3.1 of the CAISO OATT. Thus, although the Commission's *pro forma* SGIP does not specifically provide for local furnishing bonds, we find that CAISO's SGIP proposal is consistent with Commission policy, and we will accept it.

49. CAISO also proposes a number of variations to the *pro forma* SGIP's study agreement completion timelines. CAISO explains that, similar to the execution of the LGIA, the SGIA will be a three-party agreement. CAISO and the PTO will collaborate on the final executable version of the SGIA to be tendered to the Interconnection Customer if there are special provisions, attachments, or revisions to the *pro forma*. The Commission notes that CAISO's proposed deadlines for its interconnection agreement studies go beyond the deadlines in Order No. 2006.⁴¹ We find that CAISO's proposal to allow the PTOs an additional 15 Business Days, in SGIP subsections 3.3.4 and 3.5.7, and a period 20 Business Days in SGIP subsection 3.4.5, to provide the Interconnection Customer with executable interconnection study agreements could harm the Interconnection Customer, could discourage new small generators, and thus is not consistent with Order No. 2006's goal of reducing interconnection time and costs. CAISO's proposal does not meet the independent entity variation. We will require CAISO to revise these sections to use the time periods provided for in Order No. 2006.

50. We find that CAISO's proposal in SGIP section 3.5.7 to provide three options to the Interconnection Customer after the completion of the facilities study meets the independent entity variation because it will facilitate the SGIP process.

51. With regard to "Calendar Days" versus "Business Days," we note that in Order No. 2006, the Commission used Business Days, with two exceptions.⁴² The first

⁴⁰ Order No 2003-A at P 22. This provision is applicable only to a Transmission Provider that has financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in Section 142(f) of the Internal Revenue Code.

⁴¹ See, e.g., *Midwest Independent Transmission System Operator, Inc.*, 109 FERC ¶ 61,084, at P 25-27 (2004).

⁴² Order No. 2006 at P 69 and 192. However, where appropriate, the Commission stated that it was revising the number of days to correspond to the actual passage of time.

exception was the use of calendar days in the SGIA's billing and payment provisions "because these activities are traditionally tied to calendar days."⁴³ Second, the Commission found that the SGIA article 7.6.1 Default provisions should be stated in terms of Calendar Days to be consistent with the Commission's regulations that require at least 60 Calendar Days notice of a proposed cancellation or termination of a contract. CAISO's proposed SGIP sections 3.4.6 and 3.5.2 do not fall within these two exceptions, and it does not explain why it is proposing to use "Calendar Days" instead of "Business Days." Thus, CAISO has not demonstrated that its proposal meets the independent entity variation standard. We therefore reject its proposal and direct CAISO to use "Business Days."

52. Finally, with regard to CAISO's proposal to delete SGIP section 3.5.4 and add SGIP section 3.5.9, "Engineering and Procurement Agreement," we find that CAISO's proposed variation will streamline the SGIP process. It allows an Interconnection Customer to request an Engineering and Procurement Agreement in order for such design and procurement (and costs to be paid) before the actual execution of the SGIA, while not changing any of the other SGIP timelines. We find that CAISO's proposed section 3.5.9 will not interfere with the time constraints laid out in other sections of the SGIP. Accordingly, CAISO has demonstrated that its proposed SGIP section 3.5.9 meets the independent entity variation standard, and we accept it.

7. Inclusion of Re-Study Provisions in Interconnection Studies

a. CAISO Proposal

53. CAISO proposes to add SGIP sections 3.3.6, 3.4.10, and 3.5.8 to provide a procedure for re-study. It explains that revisions and/or withdrawals of higher queued projects in the queue may affect cost responsibility. Small Generating Facility Interconnection Requests are placed in the same queue with higher queued projects administered under the LGIP process. CAISO states that there is a reasonable likelihood that changes in the CAISO interconnection queue will create significant changes in system conditions during the time of study of a Small Generating Facility. Such changes will have a direct and significant affect on the Queue Position of a lower queued Small Generating Facility's interconnection study results. CAISO states that although the intent of the *pro forma* SGIP is to expedite interconnections of Small Generating Facilities, LGIP re-study provisions are just as applicable to Small Generating Facilities.

⁴³ *Id.* at P 69.

b. Commission Determination

54. In Order No. 2006, the Commission found that restudy provisions are not needed in the SGIP. We explained that the “very purpose of the Small Generator Final Rule is to expedite interconnections of Small Generating Facilities by removing unnecessary delays.”⁴⁴ Further, the Commission found that while a re-study provision in the LGIP was needed because system conditions may change between completion of a study and the Parties signing the LGIA, “it is unlikely that any significant change in system conditions will occur that was not foreseen by the Transmission Provider at the time of study because the SGIP has a much shorter timeline.”⁴⁵

55. In Order No. 2006-A, the Commission reiterated that there was no reason to reverse the prohibition in Order No. 2006 against the restudy of Small Generating Facility interconnections.⁴⁶ It also stated that, if the SGIP timelines are respected and Small Generators are interconnected promptly, there should be no need for restudy. CAISO has not demonstrated that its proposal meets the independent entity variation standard. We therefore reject its proposal and direct CAISO to delete sections 3.3.6, 3.4.10, and 3.5.8, and any other language that references re-studies from its SGIP.

8. SGIP section 4: Provisions that Apply to all Interconnection Requests

56. As relevant here, the Commission’s *pro forma* SGIP section 4.2 addresses Disputes and *pro forma* SGIP section 4.3 addresses Interconnection Metering.

a. CAISO Proposal

57. CAISO proposes to add language to section 4.2 to clarify that disputes “arising out of or in connection with” the SGIP involving CAISO will be settled in accordance with

⁴⁴ Order No. 2006 at P 193.

⁴⁵ *Id.* We also note that, with regard to the CAISO LGIP, in the May 25, 2006 Order, the Commission found that while under CAISO LGIP study procedures, “the PTOs have the right to review applicable study results, they are not permitted to duplicate studies performed by CAISO or a third party contractor, at the Interconnection Customer’s expense. We direct CAISO to clarify that where a study is performed, that study may not be duplicated at the Interconnection Customer’s expense.” May 25, 2006 Order at P 54.

⁴⁶ Order No. 2006-A at P 25.

the CAISO Alternative Dispute Resolution (ADR) Procedures, which are in article 13 of the CAISO Tariff. It states that disputes that do not involve CAISO are handled according to the provisions adapted from the *pro forma* SGIP. CAISO also proposes revisions to SGIP subsections 4.2.1 and 4.2.6 to clarify that they apply to the SGIP and not to an “article” or “Agreement,” as opposed to “section” or “SGIP.”

58. Regarding Metering, CAISO proposes variations to SGIP section 4.3 to reflect the fact that CAISO has a revenue-metering requirement for generators connecting to the ISO Controlled Grid and conveying wholesale energy. CAISO also proposes a new SGIP section 4.11, Interconnection Handbook Requirements, which requires Interconnection Customers to meet the requirements of the PTO’s technical design standards as established in the PTO’s Interconnection Handbook.

b. Commission Determination

59. We reject CAISO’s proposed sections 4.2, 4.3, and 4.11 in so far as they contain substantive variations from our *pro forma*. While CAISO states that its aim is to maintain uniformity and consistency between the LGIP/LGIA and the SGIP/SGIA, we reiterate that Order No. 2006 was intended to result in procedures and agreements that are shorter and less complex than those applied to large generators where possible. CAISO has not met its burden of justifying the proposed variation. Although we allow regional flexibility to independent entities, statements that a variation is necessary to continue current practices or is consistent with the current OATT are not sufficient. We will, however, accept CAISO’s revisions to SGIP subsections 4.2.1 and 4.2.6 because they correct typographical errors in the *pro forma* SGIP.

9. SGIP Attachment 1 - Glossary of Terms and CAISO Tariff Appendix A - Master Definitions Supplement

60. The Commission’s *pro forma* SGIP Attachment 1, Glossary of Terms, contains twenty defined terms.

a. CAISO Proposal

61. CAISO proposes to delete the Glossary of Terms from Attachment 1 of the *pro forma* SGIP. It states that all of the terms are defined in other places or are not used in its proposed SGIP. CAISO explains that all but eight of the terms in the glossary are defined in the Master Definitions Supplement, Appendix A of the CAISO Tariff, primarily as a result of the addition of the LGIP to the CAISO Tariff. With respect to

those other eight terms, CAISO proposes to delete five of them⁴⁷ because they are not used in the proposed SGIP. With regard to the remaining three terms, CAISO proposes to move the terms “Party or Parties” and “Study Process” to section 1.2.2 of the SGIP and the term “Upgrades” to the Master Definitions Supplement.⁴⁸

62. Further, CAISO proposes revisions to definitions in the Master Definitions Supplement to account for the addition of the SGIP and SGIA to the CAISO Tariff. Specifically, it proposes revisions to the following terms: Deliverability Assessment; Interconnection Handbook; Interconnection Request; Material Modification; Network Upgrades; and Point of Interconnection.

63. CAISO also proposes certain variations throughout the SGIP, as it did with the LGIP (and the Filing Parties’ LGIA and proposed SGIA), to reflect the CAISO model. For example, it proposes to revise the term Transmission Provider in the *pro forma* SGIP to reflect the fact that the Participating Transmission Owner (“Participating TO”) and CAISO, the Transmission Provider (“ISO”), are separate entities, each with a particular role. It also proposes to use the term “ISO Controlled Grid,” instead of the *pro forma* term “Transmission System,” to be consistent with other references in the CAISO Tariff.

b. Commission Determination

64. We accept CAISO’s proposal with respect to the twenty terms found in the *pro forma* SGIP Attachment 1, Glossary of Terms. Specifically, we approve the CAISO Tariff definitions of the following eight *pro forma* SGIP terms: Affected System; Business Day; Distribution System; Distribution Upgrades; Interconnection Customer; Interconnection Facilities; Queue Position; and Small Generating Facility.⁴⁹ We also approve CAISO’s deletion of the following three *pro forma* SGIP terms: Transmission Owner; Transmission Provider; and Transmission System. However, consistent with the

⁴⁷ The 5 terms that CAISO proposes to delete are: 10 kW Inverter Process; Fast Track Process; Transmission Owner; Transmission Provider; and Transmission System.

⁴⁸ The other 12 terms that are provided for in the currently effective CAISO Tariff Appendix A Master Definitions Supplement are: Affected System; Business Day; Distribution System; Distribution Upgrades; Interconnection Customer; Interconnection Facilities; Interconnection Request; Material Modification; Network Upgrades; Queue Position; Point of Interconnection; and Small Generating Facility.

⁴⁹ We note that the Commission accepted a similar CAISO proposal with respect to these terms for the CAISO LGIP. July 2005 Order, 112 FERC ¶ 61,009 at P 77-78.

discussion above, we will require that CAISO include the terms and definitions of 10 kW Inverter Process and Fast Track Process. Further, we approve CAISO's revisions to the four terms Interconnection Request; Material Modification; Network Upgrades; and Point of Interconnection, and its addition of the term Upgrades, to its Master Definitions Supplement, Appendix A. We have accepted the final two terms, Party or Parties and Study Process, as discussed above in paragraph 18.

65. Finally, we accept CAISO's proposal to revise the term Transmission Provider in the *pro forma* SGIP to reflect the fact that the Participating TO and ISO are separate entities, each with a particular role. We note that, as in Order No. 2003, in Order No. 2006, the Commission stated that, "[g]iven that RTOs and ISOs have distinct characteristics and challenges, we have permitted each RTO or ISO to propose, on compliance, an interconnection procedures document and agreement tailored to its individual needs."⁵⁰ The Commission also explained that such proposals should allocate to each entity the appropriate rights and obligations because the Transmission Provider and Transmission Owner are capable of dividing responsibility among themselves. Thus, we find CAISO's proposed use of those terms to be consistent with Order Nos. 2006 and 2006-A.

10. SGIP Attachment 2: Small Generator Interconnection Request Form

a. CAISO Proposal

66. CAISO proposes several variations from *pro forma* SGIP Attachment 2. First, it proposes to clarify that an Interconnection Request is considered complete⁵¹ when it provides all of the required information "and evidence of Site Control pursuant to Section 2.5 of this SGIP." Second, CAISO proposes to add instructions regarding a Request for Deliverability Assessment. Third, CAISO proposes to delete the term Processing Fee and to require a Deposit for study costs, which will not exceed \$1,000, to accompany the Interconnection Request. Fourth, CAISO proposes to delete text associated with the Fast Track Process and the Fast Track Process' non-refundable \$500 processing fee.

⁵⁰ Order No. 2006 at P 349-50.

⁵¹ CAISO's proposed SGIP section 2.6 discusses the assignment of Queue Position, which is based on when a completed Interconnection Request is made.

b. Commission Determination

67. We accept CAISO's proposal to include instructions regarding a request for deliverability assessment in SGIP Attachment 2, under the independent entity variation standard, for the same reasons we accepted CAISO's SGIP section 2.8.

68. Further, Order No. 2006 provides that the Interconnection Customer must submit its Interconnection Request with either an application fee or a deposit, but not both, depending on how the Interconnection Request is to be evaluated. If the Interconnection Request is to be evaluated under the Study Process, a deposit is required. If the Interconnection Request is to be evaluated using either the Fast Track Process or the 10 kW Inverter Process, a "processing fee" is required.⁵² As noted above, because we are requiring CAISO to include the Fast Track process in its SGIP, we will require CAISO to file a revised SGIP Attachment 2 that includes references to the Fast Track Process and the Fast Track Process' non-refundable \$500 processing fee.

11. SGIP Attachments 6, 7, and 8: Interconnection Study Agreements

69. The Commission's *pro forma* SGIP Attachments 6, 7, and 8 provide for the Feasibility, System Impact, and Facilities Interconnection Study Agreements. In Order No. 2006-B, the Commission directed that Parties add to each study agreement certain provisions from SGIA article 12, including: governing law, amendment, third-party beneficiaries, waiver, multiple counterparts, partnership, severability, subcontractors, and reservation of rights.⁵³

a. CAISO Order Nos. 2006 and 2006-A Proposal

70. CAISO proposes variations to the study agreements in *pro forma* SGIP Attachments 6, 7, and 8. First, CAISO proposes clean-up revisions for consistency with the CAISO model. Second, CAISO proposes to have each study identify financial effects, if any, that the Small Generating Facility interconnection will have on Local Furnishing Bonds. Third, CAISO proposes a variation to the *pro forma* language removing the optional nature of any deposit required for the study work by saying that a deposit "shall" instead of "may" be made. This variation, CAISO states, was made to

⁵² Order No. 2006 at P 125.

⁵³ See *pro forma* SGIA articles 12.1 through 12.4; 12.6 through 12.8; 12.11 and 12.12.

reduce any confusion on the part of the Interconnection Customer as to whether or not they are responsible for such costs, because there are always costs associated with performing interconnection studies. Fourth, CAISO proposes to add 10 Business Days for CAISO review and approval of the interconnection studies.⁵⁴ It explains that more time is required to coordinate among the various entities. CAISO states that, should Upgrades not be necessary, less time is needed (40 Business Days) than when Upgrades are required (55 Business Days). Fifth, CAISO proposes that it, rather than the Transmission Provider, sign the agreement and inserts boilerplate language similar to that in the study agreements associated with the CAISO's LGIP (including miscellaneous provisions such as dispute resolution and confidentiality).

b. CAISO's Order No. 2006-B Proposal

71. CAISO states that the only variations it proposes for the study agreements are for consistency with other Commission-approved CAISO *pro forma* agreements, such as the Participating Generation Agreement⁵⁵ and the LGIP study agreements.

72. CAISO explains that its Order Nos. 2006/2006-A compliance filing inadvertently identified the SGIP as Appendix X to its Tariff. To remedy this error, CAISO includes the entire SGIP with attachments, identified as Appendix AA to the CAISO Tariff.

c. Commission Determination

73. We find that CAISO's revisions for consistency with the CAISO system, including its clarifying language regarding potential financial effects of an interconnection on Local Furnishing Bonds and using the word "shall" instead of "may" regarding deposits for study work, are acceptable under the independent entity variation because they are needed under the California regulatory framework.

74. With regard to interconnection study agreement deadlines, in Order No. 2006, the Commission gave Transmission Providers 30 Business Days to complete the feasibility study, 30 Business Days to complete the distribution system impact study, 45 Business Days to complete the transmission system impact study, 30 Business Days to complete the facilities study when no Upgrades are required, and 45 Business Days to complete the

⁵⁴ This proposed variation is proposed for all three study agreements, as follows: Feasibility (section 10.0); System Impact (section 9.0); and Facilities Study Agreement (sections 7.0 and 8.0).

⁵⁵ CAISO Tariff, Appendix B.2 at 11.3.

facilities study when Upgrades are required.⁵⁶ The Commission found that these deadlines strike the right balance, allowing sufficient time to complete the studies while ensuring that Small Generating Facilities can be interconnected within a reasonable time.

75. Here, CAISO proposes to add 10 Business Days for CAISO review and approval of the interconnection agreement studies (*i.e.*, Transmission Providers have 40 Business Days to complete the feasibility study, 40 Business Days to complete the distribution system impact study, 55 Business Days to complete the transmission system impact study, 40 Business Days to complete the facilities study when no Upgrades are required, and 55 Business Days to complete the facilities study when Upgrades are required). We will reject these variations. CAISO has not shown that the longer deadlines are needed. A major goal of Order No. 2006 is to reduce the time and cost of processing interconnection requests.

76. We accept CAISO's proposal that it sign the study agreements. In Order No. 2003, and again in Order No. 2006, the Commission stated that in an RTO or ISO where the Transmission Provider is not the Transmission Owner, the RTO's or ISO's compliance filing may propose a modified interconnection agreement that provides the Transmission Provider and Transmission Owner with different rights and obligations.⁵⁷ The Commission further found that we would require three-party agreements in areas where the Transmission Provider and Transmission Operator are different entities. Thus, CAISO's proposal is consistent with Order No. 2006.

77. Finally, CAISO's proposed contract language is consistent with the *pro forma* SGIP language laid out in Order No. 2006-B, with minor non-substantive revisions. We will accept it under the independent entity variation standard.

12. SGIP Attachment 9: Wind Facilities

78. In the Wind Interconnection Orders, the Commission allowed Transmission Providers to justify variations from the Final Rule Appendix G (LGIA) and Appendix 7 (LGIP) using the standards that it had approved in Order No. 2003. As with Order Nos. 2003 and 2006, independent entities, such as RTOs and ISOs, can propose variations under the "independent entity variation" standard.⁵⁸ While the Commission affords RTOs and ISOs greater flexibility under this standard, we "nonetheless review the

⁵⁶ Order No. 2006 at P 190, 192.

⁵⁷ Order No. 2003 at P 909; Order No. 2006 at P 349.

⁵⁸ Wind Interconnection Orders, 70 Fed. Reg. 34,993 at P 107-109.

proposed variations to ensure that they do not provide an unwarranted opportunity for undue discrimination or produce an interconnection process that is unjust and unreasonable.”⁵⁹

a. CAISO Proposal

79. CAISO proposes to add SGIP Attachment 9, which sets forth the requirements for interconnecting wind generating plants. It explains that Attachment 9 includes the requirements for wind generating plants dictated by Order Nos. 661 and 661-A⁶⁰ with regard to the LGIP.

80. Specifically, the second paragraph of CAISO’s proposed Attachment 9 states that;

No later than six months after submitting an Interconnection Request completed in this manner, *or accompanying the interconnection Customer’s return of an executed interconnection study agreement*, the wind plant Interconnection Customer must submit completed detailed electrical design specifications and other data (including system layout data) needed to allow the ISO to complete the interconnection study.

81. CAISO explains that these requirements were included in its proposed SGIP, not only because it is likely that some Small Generating Facilities covered by the SGIP may be wind generators and will need such clarity, but also because it is consistent with the *pro forma* LGIP approach.⁶¹

⁵⁹ *PJM*, 108 FERC ¶ 61,025 at P 7.

⁶⁰ *Interconnection for Wind Energy*, Order No. 661, 70 Fed. Reg. 34,993 (June 16, 2005), FERC Stats. & Regs. ¶ 31,186 (2005), *order on reh’g*, Order No. 661-A, 70 Fed. Reg. 75,005 (Dec. 19, 2005), FERC Stats. & Regs. ¶ 31,198 (2005); *reh’g pending; Order Granting Extension of Effective Date and Extending Compliance Date*, 70 Fed. Reg. 47,093 (Aug. 12, 2005), 112 FERC ¶ 61,173 (2005); *Notice Extending Compliance Date*, issued Oct. 28, 2005; *Notice Extending Compliance Date*, issued Dec. 22, 2005 (Wind Interconnection Orders).

⁶¹ CAISO notes that it is aware that Order Nos. 2006 and 2006-A did not provide for complete consistency between the LGIP and SGIP in this regard, but points out that the Commission did acknowledge that reliability concerns may lead to similar results for interconnecting small wind generating facilities. Order No. 2006-A at P 38. However, CAISO argues that a parallel approach between its LGIP and SGIP is appropriate for

(continued)

b. Commission Determination

82. We will accept CAISO's proposed SGIP Attachment 9 on interconnecting small wind generating plants under the independent entity variation. In Order No. 2006-A, the Commission explained that it did not impose the "additional burden" of the SGIA reactive power requirement on wind generators "since wind-powered Small Generating Facilities usually cannot provide reactive power."⁶² The Commission clarified that the "Small Generating Facility (whether wind-powered or not) must still pass either the SGIP's Study Process or technical screens before interconnecting."⁶³ CAISO's proposal is consistent with that guidance.

83. However, we note that CAISO's proposal in Attachment 9 contains a portion of language that the Commission rejected in its order on CAISO's LGIP proposal for wind facilities.⁶⁴ Specifically, the Commission rejected CAISO's proposed language "or accompanying the interconnection Customer's return of an executed Interconnection Study agreement," following the language "after submitting an Interconnection Request completed in this manner,"⁶⁵ The Commission found that this language "may not provide wind generator Interconnection Customers with the time that they need to develop the technical specifications and other data for their proposed generators to fulfill their unique design requirements."⁶⁶ Thus, consistent with the CAISO Wind Order, we will accept CAISO's SGIP proposed Attachment 9, subject to its deletion of the phrase "or accompanying the interconnection Customer's return of an executed Interconnection Study agreement".⁶⁷

reliability reasons and should be permitted under the independent entity variation standard.

⁶² Order No. 2006-A at P 37.

⁶³ *Id.* at P 38.

⁶⁴ *California Independent System Operator Corp.*, 114 FERC ¶ 61,272 (2006) (CAISO Wind Order).

⁶⁵ *Id.* at P 14.

⁶⁶ *Id.*

⁶⁷ *Id.*

13. Revisions to section 5.7 of the CAISO Tariff**a. CAISO Proposal**

84. CAISO proposes revisions to section 5.7 of the CAISO Tariff, which is the primary reference in the tariff to the Generating Facility interconnection process, to account for the addition of the SGIP and SGIA. It states that references to the SGIP or relevant provisions thereof have been added where there are references to the elements of the Large Generating Facility interconnection process or the prior “grandfathered” interconnection process. In addition, section 5.7.1.1 of the CAISO Tariff has been expanded to incorporate language from proposed SGIP section 4.10 clarifying the applicability of the relevant interconnection process.

b. Commission Determination

85. CAISO filed a Simplified and Reorganized (S&R) Tariff, to reflect all of its Tariff amendments accepted by the Commission as of March 6, 2006.⁶⁸ As relevant here, in that filing, CAISO provided a table that indicates the pre-S&R Tariff sections versus the post-S&R Tariff sections. We note that pre-S&R Tariff section 5.7 is now CAISO S&R Tariff section 25 and is entitled “Interconnection of Generating Units and Generating Facilities to the ISO Controlled Grid.” We will require CAISO to file a revised S&R Tariff section 25 to account for the addition of the SGIP and SGIA, consistent with its proposal discussed above regarding pre-S&R Tariff section 5.7.

D. Variations from the Small Generator Interconnection Agreement – Docket No. ER06-630-000

86. As noted above, the Filing Parties (*i.e.*, CAISO and the three PTOs, PG&E, SDG&E, and SoCal Edison) filed variations from the Commission’s *pro forma* SGIA.

1. SGIA article 1: Scope and Limitations of Agreement

87. The Commission’s *pro forma* SGIA article 1 discusses the scope and limitations of the SGIA, stating that it shall be used for all Interconnection Requests submitted under the SGIP except for those submitted under the 10 kW Inverter Process contained in the SGIP.

⁶⁸ Docket No. ER05-1501-000.

a. Filing Parties' Proposal

88. The Filing Parties propose to delete language at the end of SGIA article 1.1 regarding the 10 kW Inverter Process of the SGIP. As noted above, they explain that the CAISO Controlled Grid is strictly a transmission voltage level, bulk energy delivery system. Thus, they state that the components of the *pro forma* SGIA referring to interconnections to the Transmission Provider's Distribution System are not applicable.

b. Commission Determination

89. We will reject the Filing Parties' proposal to delete language at the end of SGIA article 1.1 regarding the SGIP 10 kW Inverter Process. As discussed in paragraph 28 above, we are requiring that CAISO incorporate the SGIP Fast Track and 10 kW Inverter Processes in its SGIP. Thus, we will require that the Filing Parties file a revised SGIA that includes language at the end of SGIA article 1.1 regarding the 10 kW Inverter Process of the SGIP.

2. SGIA section 1.5.7 and Attachment 8: Reliability Management System Agreement

a. Filing Parties' Proposal

90. The Filing Parties propose to add article 1.5.7 to the *pro forma* SGIA. They state that the Interconnection Customer will execute the Reliability Management System Agreement (Reliability Agreement) of the Western Electricity Coordinating Council (WECC), just as must any other generator connected to the CAISO Controlled Grid.

91. The Filing Parties also propose a new Attachment 8 to the SGIA to include the RMS Agreement. They explain that this is because Small Generating Facilities interconnected to the CAISO Controlled Grid should be subject to the same requirements as are other Generators. They also state that this is consistent with the *pro forma* LGIA.

b. Commission Determination

92. The WECC requires all generators within the Western Interconnection (including the CAISO Control Area) to sign an RMS Agreement.⁶⁹ We agree that the Filing Parties'

⁶⁹ July 2005 Order, 112 FERC ¶ 61,009 at P 150. The WECC RMS Agreement, which is publicly available on the WECC website, obligates entities to abide by certain critical reliability standards and to provide the data needed to verify compliance. It also
(continued)

proposal to require that Interconnection Customers sign an RMS Agreement as an express condition of the proposed SGIA is reasonable. It will facilitate the interconnection process by informing customers of their reliability obligation. Further, as this is a regional reliability requirement under the WECC, we will accept the Filing Parties' proposal in SGIA article 1.5.7 and Attachment 8, and direct them to include the RMS Agreement, verbatim, as Attachment 8 to the SGIA.⁷⁰

3. SGIA article 1.7: Metering

93. The Commission's *pro forma* SGIA article 1.7 provides for the Interconnection Customer's Metering. It states that the Interconnection Customer shall be responsible for the Transmission Provider's reasonable and necessary cost for the purchase, installation, operation, maintenance, testing, repair, and replacement of metering and data acquisition equipment.

a. Filing Parties' Proposal

94. The Filing Parties propose a variation to SGIA article 1.7, similar to what is in their LGIA, adding that the PTO may install additional revenue quality metering and associated equipment pursuant to the PTOs' retail tariffs.

b. Commission Determination

95. We reject CAISO's proposal regarding revenue quality metering in SGIA article 1.7. While we understand that additional revenue quality metering may allow for better information to be collected from the small generators, we are concerned that allowing the PTOs' to install these meters could result in an excessive cost burden to these small generators. Further, we reiterate that Order No. 2006 was intended to result in procedures and agreements that foster increased development of economic Small Generating Facilities and protect system reliability. CAISO has not met its burden of justifying the proposed variation.⁷¹

imposes sanctions, both monetary and non-monetary, according to a set schedule, for violations of reliability criteria.

⁷⁰ Order No. 2003 at P 826.

⁷¹ Our rejection here is without prejudice to the Filing Parties making a showing that their proposal will not make small generators uneconomic.

4. SGIA article 1.8: Reactive Power

96. The Commission's *pro forma* SGIA articles 1.8.1 through 1.8.3 governs Reactive Power. Order No. 2006 requires that the Interconnection Customer with a synchronous generator maintain composite power delivery at continuous rated power⁷² output *at the Point of Interconnection* at a power factor within the range of 0.95 leading to 0.95 lagging, unless the Transmission Provider has established different requirements that apply to all similarly situated generators in the control area on a comparable basis.⁷³ Order No. 2006 does not require reactive power for small wind plants, unless the System Impact Study shows the need for such capability for safety or reliability.⁷⁴

a. Filing Parties' Proposal

97. The Filing Parties propose a variation to SGIA article 1.8 to clarify that the Interconnection Customer must maintain rated power at the terminals of the generating unit instead of at the Point of Interconnection. They also propose that the Small Generating Facility (with the exception of wind generation) must operate within the same

⁷² Rated power generally means the net power available from a particular unit, or the total energy produced, less the reactive power.

⁷³ Order No. 2006 at P 387.

⁷⁴ See, e.g., *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,021, at P 19 and n.13 (2006) (*PJM Interconnection*). In Order No. 2006-A, the Commission addressed when reactive power requirements can be imposed on small wind generating facilities:

The provisions of SGIA article 1.8.1 notwithstanding, the SGIP still requires the Interconnection Customer to mitigate any adverse safety and reliability effects its Small Generating Facility may have on the Transmission Provider's Transmission System. The Small Generating Facility (whether wind-powered or not) must still pass either the SGIP's Study Process or technical screens before interconnecting. If additional facilities are needed to safely interconnect the Small Generating Facility with the Transmission Provider's electric system, whether due to safety or reliability (including reactive power) reasons, the Transmission Provider shall identify them and assign costs as specified in SGIA articles 4 and 5.

Order No. 2006-A at P 38.

reactive power range (*i.e.*, within 0.95 leading to 0.90 lagging) as all other generating units connected to the ISO Controlled Grid and in accordance with the CAISO Tariff.⁷⁵ In addition, the Filing Parties propose to delete SGIA article 1.8.3, regarding payment for reactive power, because compensation for reactive power consumption and provision by the Interconnection Customer outside of the identified power factor band is already covered by the CAISO Tariff.

b. Commission Determination

98. Here, the Filing Parties propose that the Interconnection Customer (with the exception of wind generation) be required to maintain rated power at the terminals of each generating unit at a power factor within the range of 0.95 leading to 0.90 lagging, unless the ISO has established different requirements that apply to all generators in the Control Area on a comparable basis.⁷⁶ We find that the Filing Parties' proposed power factor range for small generators is consistent with Order Nos. 2006 and 2006-A, and we will accept it under the independent entity standard.⁷⁷ We also accept the variation to SGIA article 1.8.1, clarifying that the Interconnection Customer must maintain rated power at the terminals of the generating unit instead of at the Point of Interconnection, for the same reasons we approved it in the LGIA.⁷⁸ Further, we will accept the Filing Parties' deletion of article 1.8.3, regarding payment, under the independent entity variation because payment for reactive power is already covered in the CAISO OATT.⁷⁹

5. SGIA article 3: Effective Date, Term, Termination, and Disconnection

99. The Commission's *pro forma* SGIA article 3 discusses, among other things, the Term of the Agreement (article 3.2); Temporary Disconnection (article 3.4); Emergency

⁷⁵ The Filing Parties also propose to add an Attachment 7 to the SGIA that includes the interconnection requirements for wind generating plants.

⁷⁶ As discussed below in paragraphs 117-19, we also accept the Filing Parties' proposed power factor range for small wind generating plants under the independent entity standard.

⁷⁷ *Id.*; Order No. 2006 at P 387.

⁷⁸ July 2005 Order, 112 FERC ¶ 61,009 at P 123.

⁷⁹ *See, e.g.*, Section 8.5.9 of the CAISO OATT, providing for the payment to generators that provide additional voltage support outside the specified bandwidth.

Conditions (article 3.4.1); Routine Maintenance, Construction, and Repair (article 3.4.2); and Forced Outages (article 3.4.3).

a. Filing Parties' Proposal

100. The Filing Parties propose a variation to SGIA article 3.2 allowing the insertion of whatever term length is agreed between the Parties without a need for further modification of the SGIA. They also propose variations to SGIA article 3.4.1 regarding Emergency Conditions. Specifically, they propose that an Emergency Condition applies to the Interconnection Customers' Interconnection Facilities, if they are down, in addition to the Generating Facility, because the loss of either of these will generally result in the loss of the unit.

101. With respect to SGIA article 3.4.2, the Filing Parties propose to add language outlining the duty of the Interconnection Customer to comply with the maintenance and outage requirements of the CAISO Tariff. To ensure proper consideration of the effect that a planned outage of the Small Generating Facility or Interconnection Facilities may have on the PTO, the Filing Parties propose language requiring the Interconnection Customer to notify the PTO simultaneously with CAISO.

102. Finally, the Filing Parties propose a variation to SGIA article 3.4.3 regarding Forced Outages to ensure that the Interconnection Customer notifies CAISO of all forced outages or reductions in unit output in accordance with the CAISO Tariff.

b. Commission Determination

103. The Filing Parties have justified their proposed variations to SGIA articles 3.2, 3.4.1, 3.4.2, and 3.4.3. These changes are consistent with the intent of Order No. 2006 and we will therefore accept them under the independent entity variation standard.

6. SGIA article 5: Cost Responsibility for Network Upgrades

104. The Commission's *pro forma* SGIA article 5 explains the cost responsibility for any Network Upgrades. This article states that the Transmission Provider shall design, construct, and own the Network Upgrades while the Interconnection Customer pays the costs of the Network Upgrades up front.

a. Filing Parties' Proposal

105. The Filing Parties propose variations to SGIA article 5.2 that are similar to those in their *pro forma* LGIA, deleting SGIA articles 5.2.1, 5.2.1.1, and 5.2.1.2 and adding new SGIA articles 5.3 and 5.3.1, regarding transmission credits. Interconnection Customers that upgrade the CAISO Controlled Grid with Network Upgrades can receive

transmission credits or repayment of amounts advanced for the Network Upgrades according to the same conditions under the *pro forma* LGIA. Specifically, the Filing Parties propose that Interconnection Customers who initially fund Network Upgrades would have a choice to receive either cash refunds over a five-year period (dollar-for-dollar reimbursement for the costs of the upgrades plus interest), or alternatively, to receive applicable Firm Transmission Rights (FTRs).

106. With regard to SGIA article 5.3.2, the Filing Parties propose a requirement that the Interconnection Customer reach an agreement with Affected System Owners and other affected owners of the CAISO Controlled Grid, in accordance with the SGIP, for payment required under the SGIP. Further, this article clarifies that the PTO will not be responsible for the repayment for any facilities that are not part of the PTO's Transmission System.

b. Commission Determination

107. The Filing Parties' proposal on cost responsibility for Network Upgrades in SGIA article 5 is consistent with CAISO's approved LGIA. In the Commission's July 2005 Order on CAISO's LGIA, we "accept[ed] the Filing Parties' proposal to provide the Interconnection Customer with a choice to receive either cash refunds or applicable financial rights as consistent with the Commission's refund crediting policy for network upgrades."⁸⁰ The same reasoning applies here, and we will accept the variation under the independent entity standard variation.

7. SGIA article 6: Billing, Payment Milestones, and Financial Security and SGIA article 7: Assignment, Liability, Indemnity, Force Majeure, Consequential Damages, and Default

108. The Commission's *pro forma* SGIA article 6 provides for Billing and Payment Procedures and Final Accounting (article 6.1), Milestones (article 6.2), and Financial Security Arrangements (article 6.3). The Commission's *pro forma* SGIA article 7 provides for Assignment, Liability, Indemnity, Force Majeure, Consequential Damages, and Default.

a. Filing Parties' Proposal

109. The Filing Parties propose a variation to the Commission's *pro forma* SGIA article 6.1.2, adding 3 months (for a total of 6 months) to the amount of time that the PTO has to

⁸⁰ 112 FERC ¶ 61,231 at P 90.

provide the Interconnection Customer with the final accounting report of the difference between the actual costs of the Interconnection Facilities and Upgrades and the Interconnection Customer's aggregated payments for these Facilities and Upgrades. They explain that the Commission's *pro forma* LGIA article 12.2 provides that the Transmission Provider has 6 months after completion of the construction of the relevant facilities to provide a final cost accounting. The Filing Parties state that, similar to Large Generator Interconnections, Small Generator Interconnections are often very complex and require substantial coordination between the Interconnection Customer, the ISO, and the PTO. They assert that given the unique physical attributes of the Western bulk transmission system, which requires rigorous stability analysis of the effect of facilities interconnected with the bulk transmission system, an independent entity variation is justified.

b. Commission Determination

110. In Order No. 2006, the Commission addressed commenters' concerns that the 45 calendar days for the Transmission Provider to prepare a final accounting report was not enough time. Commenters offered alternative deadlines ranging from 60 Business Days to 90 days after the Small Generating Facility begins commercial operation.⁸¹ The Commission agreed with commenters that 45 days might be too short, but said that tying it to commercial operation of the Small Generating Facility is unrealistic because that event may happen long after construction is complete. Thus, the Commission found that a "more realistic deadline, and one that provides sufficient time for the Transmission Provider to compile the expenditures and process the final accounting report, is three months from the date construction of the facilities is completed."⁸² The Filing Parties' proposal to add 3 months (for a total of 6 months) to SGIA article 6.1.2 is not sufficiently supported under the independent entity variation standard because it would undermine Order No. 2006's goal of reducing interconnection time and costs. Moreover, they have not shown that more time is needed. We thus reject the Filing Parties' proposal and direct that they file revisions to SGIA article 6.1.2 to provide for a total of three months from the date construction of the facilities is completed.

⁸¹ Order No. 2006 at P 287.

⁸² *Id.* at P 289.

8. SGIA article 12: Miscellaneous

111. As relevant here, the Commission's *pro forma* SGIA article 12, entitled "Miscellaneous," provides for Security Arrangements (article 12.9) and Reservation of Rights (article 12.12) clauses.

a. Filing Parties' Proposal

112. The Filing Parties propose a variation to SGIA article 12.9 to require that an Interconnection Customer meet CAISO's standards for security under the CAISO Tariff. With respect to article 12.12, regarding Reservation of Rights, they propose to specify the articles of the SGIA regarding which parties have filing rights under section 205 of the FPA. The Filing Parties also propose to add a new SGIA article 12.13, Joint and Several Obligations, to clarify that the respective obligations of the parties are several or individual and are not to be considered joint. The Filing Parties state that these are similar to variations accepted by the Commission for the LGIA.

b. Commission Determination

113. We reject the Filing Parties' proposed revisions to SGIA articles 12.9, 12.12, and 12.13. We reiterate that Order No. 2006 was intended to result in procedures and agreements that are shorter and less complex, where possible, for small generators.⁸³

9. SGIA Attachment 1: Glossary of Terms

a. Filing Parties' Proposal

114. The Filing Parties propose numerous variations to the Glossary of Terms, Attachment 1 of the *pro forma* SGIA. They state that the variations make the terms in the SGIA consistent with those in the CAISO Tariff and the LGIA: (1) "Affected System" is revised to include the PTO's electric system, so that the PTO can address issues within its electric system if the Interconnection Customer affects that; (2) "Commercial Operation Date," "Control Area," "Interconnection Handbook," "ISO Controlled Grid," "ISO Tariff," "Operational Control," and "Transmission Control Agreement" are added to ensure the consistent use of these terms in the SGIA; (3) "Distribution System" and "Distribution Upgrades" are modified to properly identify the facilities and simplify the definition; (4) "Good Utility Practice" is modified to clarify that it applies to the electric utility industry and that it is not any one single practice, method, or act alone, but rather is

⁸³ See *supra* P 15.

the practice, method or acts as a whole that are generally accepted within the region; (5) “Interconnection Customer” is deleted because this term is defined in the introduction to the SGIA as the signatory to the SGIA; (6) “Interconnection Request” is modified to make it applicable to Interconnection Requests in general, as used in the SGIA, rather than being limited just to an Interconnection Request submitted by the Interconnection Customer; (7) “Material Modification” is modified to accommodate the concept that an interconnection request other than one to interconnect a Small Generating Facility subject to the SGIP can have an effect on an Interconnection Request governed by the SGIP; (8) “Operating Requirements” is modified to include the reliability council, WECC, and the PTO to the list of entities establishing operating requirements within the region; (9) “Transmission Owner” and “Transmission Provider” are deleted because these terms are superseded by the terms “ISO” and “Participating TO”; and (10) “Upgrades” is modified to include the PTO’s Distribution System in the definition to make sure the effects of the interconnection of a Small Generating Facility are properly considered.

b. Commission Determination

115. We find that the Filing Parties’ proposed variations to the SGIA Attachment 1 Glossary of Terms are non-substantive variations to the *pro forma* SGIA wording laid out in Order No. 2006, adapted to fit current CAISO Tariff provisions and the associated CAISO regulatory framework. Thus, we will accept the Filing Parties’ proposal under the independent entity variation standard.

10. SGIA Attachment 7: Wind Facilities

a. Filing Parties’ Proposal

116. The Filing Parties propose to add an Attachment 7 to the SGIA to include the interconnection requirements for wind generating plants, consistent with the Wind Interconnection Orders. As relevant here, Attachment 7, section A.ii. states, in part:

A wind generating plant shall operate within a power factor within the range of 0.95 leading to 0.95 lagging, measured at the Point of Interconnection as defined in this Agreement in order to maintain a specified voltage schedule, if the system impact study shows that such a requirement is necessary to ensure safety or reliability.

117. The Filing Parties assert that these requirements were included in the SGIA, not only because it is likely that some Small Generating Facilities covered by the SGIA may be wind generators and will need such clarity, but also because it is consistent with the *pro forma* LGIA approach.

b. Commission Determination

118. The Commission's rule on interconnection of large wind facilities, Order No. 661,⁸⁴ states that a large wind plant must maintain a power factor range of +/-0.95 only if the System Impact Study shows that reactive power capability is necessary to ensure the safety or reliability of the transmission system. Order No. 661, like Order No. 2006, requires that the power factor be measured at the Point of Interconnection. However, as noted above, Order No. 2006 does not require small wind plants to provide reactive power unless the System Impact Study shows the need for such capability for safety or reliability.⁸⁵

119. Here, the Filing Parties propose a power factor range of 0.95 leading to 0.95 lagging for a small wind generating plant, measured from the Point of Interconnection, if the System Impact Study shows that reactive power is necessary to ensure safety or reliability. We note that the Filing Parties' power factor proposal in section A.II of SGIA Attachment 7 is the same as the power factor language that the Commission accepted with respect to CAISO's LGIA Part H.⁸⁶ We accept the Filing Parties' proposed power factor range for small wind generating plants under the independent entity standard

⁸⁴ Wind Interconnection Orders, 70 Fed. Reg. 34,993 at P 50.

⁸⁵ In general, the reactive power provisions in Order No. 2006 do not apply to wind generators. However, on rehearing in Order No. 2006-A, the Commission addressed when reactive power requirements can be imposed on small wind generating facilities:

The provisions of SGIA article 1.8.1 notwithstanding, the SGIP still requires the Interconnection Customer to mitigate any adverse safety and reliability effects its Small Generating Facility may have on the Transmission Provider's Transmission System. The Small Generating Facility (whether wind-powered or not) must still pass either the SGIP's Study Process or technical screens before interconnecting. If additional facilities are needed to safely interconnect the Small Generating Facility with the Transmission Provider's electric system, whether due to safety or reliability (including reactive power) reasons, the Transmission Provider shall identify them and assign costs as specified in SGIA articles 4 and 5.

Order No. 2006-A at P 38.

⁸⁶ CAISO Wind Order, 114 FERC ¶ 61,272 at P 15.

because it is consistent with the language of the CAISO OATT and the intent of the Wind Interconnection Orders and Order No. 2006.⁸⁷

120. The Filing Parties propose variations between their *pro forma* documents and the Commission's *pro forma* documents to conform the terminology in their *pro forma* wind documents with the terminology used throughout the remainder of their current SGIP and SGIA. We will accept these variations under the independent entity variation standard. The other proposed changes are minor, are consistent with the language and intent of the Wind Interconnection Orders and, make CAISO's SGIA and SGIP and their appendices consistent with CAISO's Tariff.⁸⁸

The Commission orders:

(A) The proposed revisions to CAISO's SGIP are hereby accepted in part and rejected in part, as discussed in the body of this order, effective on the date of issuance of this order.

(B) The proposed revisions to CAISO Tariff section 5.7 and the CAISO Master Definitions Supplement, CAISO Tariff Attachment 1, are hereby accepted and rejected in part, subject to revision, as discussed in the body of this order.

(C) The proposed revisions to the Filing Parties' SGIA are hereby accepted in part and rejected in part, as discussed in the body of this order, effective on the date of issuance of this order.

(D) CAISO and the Filing Parties are hereby directed to submit a compliance filing, consistent with the Commission's findings, as discussed in the body of this order, within 30 days of the date of this order.

By the Commission. Commissioners Wellinghoff and Moeller concurring with a separate statement attached.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁸⁷ *PJM Interconnection*, 116 FERC ¶ 61,021 at 24.

⁸⁸ *CAISO Wind Order*, 114 FERC ¶ 61,272 at P 19.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	Docket Nos. ER06-629-000 ER06-629-001
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California Independent System Operator Corporation, Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company	Docket No. ER06-630-000
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(Issued November 16, 2007)

WELLINGHOFF AND MOELLER, Commissioners *concurring*:

Our preliminary analysis indicates that the Commission's existing interconnection rules, including CAISO's small generation interconnection tariff that we are considering today, may be a barrier to the development of projects using asynchronous generators, including hydrokinetic technologies. The new hydrokinetic technologies are likely to use non-synchronous or asynchronous motors such as flywheels and induction motors to make electric energy. We believe that such technologies may have many of the characteristics of wind.

In October, the Commission conducted a technical conference in Portland, Oregon to examine issues related to the development of hydrokinetics, an emerging technology for producing electricity.¹ The Commission has issued 45 preliminary permits and has 117 permit applications pending for hydrokinetics facilities on both coasts and in the Mississippi River. The Commission is considering streamlining our licensing process for pilot projects to allow testing of this new application of an age-old source of energy that offers such promise across the country.²

¹ Notice of Technical Conference and Soliciting Comments, Hydrokinetic Pilot Project Workshop, Docket No. AD07-14-000, (July 19, 2007); and Supplemental Notice of Technical Conference with Agenda and Soliciting Comments, Docket No. AD07-14-000, (August 31, 2007).

² At this time, only one license application that uses new hydrokinetic technology has been filed with the Commission but given the considerable interest in this proceeding, we expect more.

In the Commission's *Interconnection for Wind Energy* rule issued almost two and a half years ago, the Commission relied on the technical characteristics of wind generation as a basis for applying different interconnection standards to large wind generators.³ We explained that even though the Commission was "not applying the Final Rule ... to non-wind technologies, we may do so in the future, or take generic or case-specific actions, if another technology emerges for which a different set of interconnection requirements is necessary."⁴

We believe it is appropriate and necessary to recognize the unique generating characteristics of the new hydrokinetic technology and other asynchronous generators.⁵ There is a need to reassess our rules to determine whether they should be expanded to accommodate the specific characteristics of these technologies. Otherwise, the prospect of the additional expenditure and requirements, when not needed for safety or reliability, could be a barrier to project development and advancement of this new, emerging technology. Also, it is important to act quickly as the technology is developing so that projects can be interconnected on a timely basis and the advancement of this new technology is not hampered. Accordingly, a generic proceeding to examine the interconnection of projects using asynchronous generators, such as new hydrokinetics, is a proactive step the Commission should undertake to accommodate and not unduly discriminate against these additional sources of generation.

³ *Interconnection for Wind Energy*, Order No. 661, FERC Stats. & Regs. ¶ 31,186 (2005) at P 106; order on rehearing, Order No. 661-A, FERC Stats. & Regs. ¶ 31,198 (2005). In this proceeding, the Commission added to its interconnection procedures and agreement several provisions applicable to the interconnection of large wind plants. FERC explained that it was adopting certain different procedures and technical requirements for large wind generators because wind generators presented unique interconnection issues. For instance, the interconnection rules properly recognize that wind facilities using asynchronous generators typically do not produce reactive power, and thus do not require these projects to provide reactive power to support the transmission grid unless a system impact study indicates this is needed for safety or reliability.

⁴ Order No. 661 at P 106.

⁵ In fact, the Commission has approved the application of reactive power requirement to wind and other non-synchronous generators but only when the system impact study shows that reactive power capability is needed. *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,021 at P 24 (2006).

For these reasons, we concur with today's order.

Jon Wellinohoff
Commissioner

Philip D. Moeller
Commissioner